

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2007

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Southern Cal Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2006 election)</b>		
Eric Richardson	President	2006
Jim Brown	Vice President	2007
Mark Schleisman	Board Member	2008
Tommy Campbell	Board Member	2007
Charles Loeck	Board Member	2006
<b>Board of Education (After September 2006 election)</b>		
Jim Brown	President	2007
Tommy Campbell	Vice President	2007
Alan Wedemeyer	Board Member	2009
Larry Irwin	Board Member	2009
Mark Schleisman	Board Member	2008
<b>School Officials</b>		
Eric Wood	Superintendent	2007
Susan Lasher	District Secretary/ District Treasurer (Resigned due to illness effective 5/31/07)	2007
Brian Gruhn	Attorney	2007

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**Certified Public Accountants**  
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Southern Cal Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Southern Cal Community School District, Lake City, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Southern Cal Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 18, 2008 on our consideration of Southern Cal Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 35 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board.

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We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southern Cal Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 18, 2008

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Southern Cal Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2007 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$4,334,702 in fiscal 2006 to \$4,428,271 in fiscal 2007, while General Fund expenditures increased from \$4,585,375 in fiscal 2006 to \$4,632,728 in fiscal 2007. This resulted in a decrease in the District's General Fund balance from \$796,074 in fiscal 2006 to a balance of \$595,118 in fiscal 2007, a 25.24% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in local sources such as property tax and tuition fees charged to other Districts for open enrollment. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures.
- As of June 30, 2007, the District's solvency ratio is 13.3% as compared to 18.2% for the previous year.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Southern Cal Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Southern Cal Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Southern Cal Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

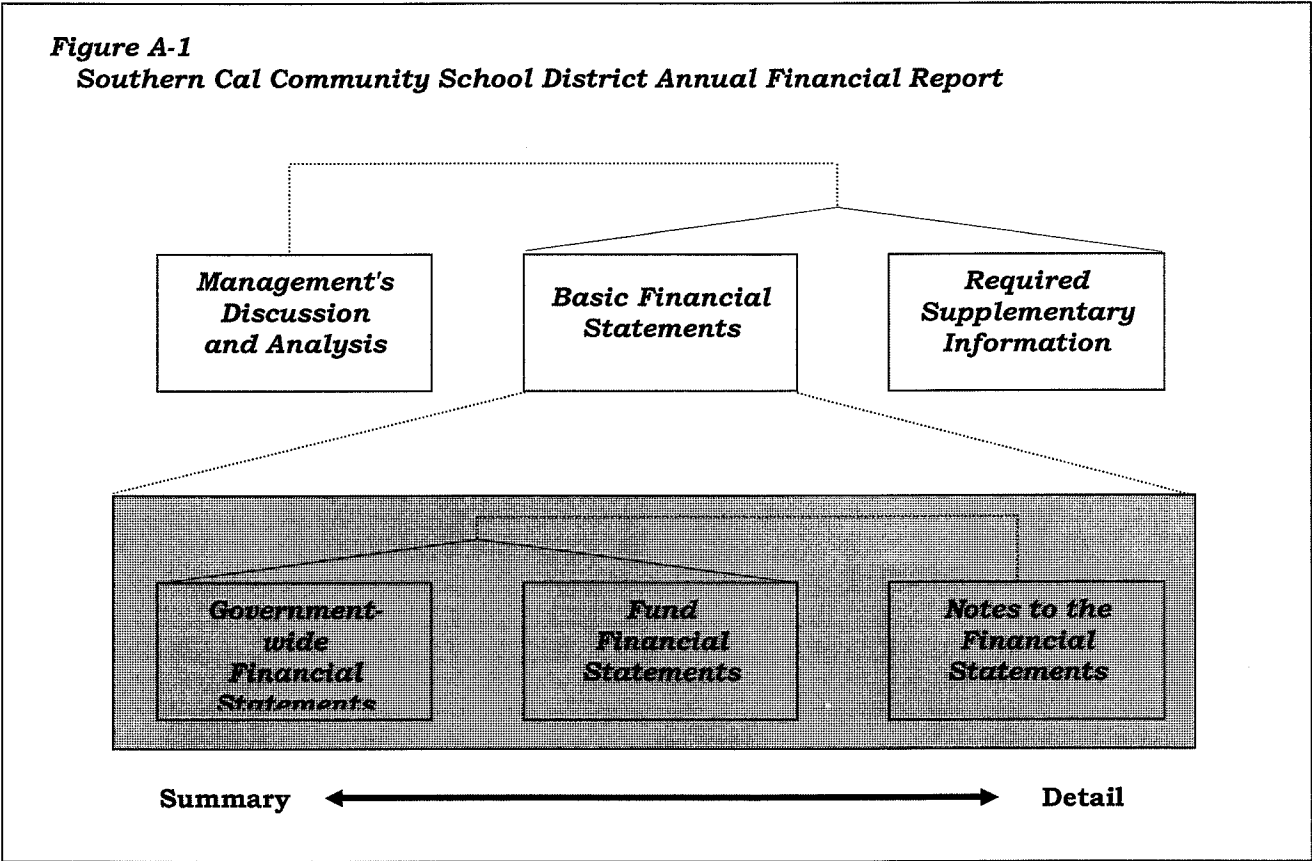


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.



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The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service and Capital Projects.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private Purpose Trust Funds.

- Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 3,531,538	3,407,392	22,101	10,953	3,553,639	3,418,345	3.96%
Capital assets	2,314,786	2,379,214	20,130	3,922	2,334,916	2,383,136	-2.02%
Total assets	5,846,324	5,786,606	42,231	14,875	5,888,555	5,801,481	1.50%
Long-term obligations	22,892	42,773	0	0	22,892	42,773	-46.48%
Other liabilities	2,299,149	2,216,043	4,575	2,993	2,303,724	2,219,036	3.82%
Total liabilities	2,322,041	2,258,816	4,575	2,993	2,326,616	2,261,809	2.87%
Net assets:							
Invested in capital assets, net of related debt	2,314,786	2,379,214	20,130	3,922	2,334,916	2,383,136	-2.02%
Restricted	623,158	370,430	0	0	623,158	370,430	68.23%
Unrestricted	586,339	778,146	17,526	7,880	603,865	786,026	-23.17%
Total net assets	\$ 3,524,283	3,527,790	37,656	11,802	3,561,939	3,539,592	0.63%

The District's combined net assets increased by 0.63%, or \$22,347, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$252,728, or 68.23% over the prior year. The increase was primarily a result of the increases in the Physical Plant and Equipment Levy and Activity Funds balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$182,161, or 23.17%. This decrease in unrestricted net assets was primarily the result of the decrease in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to the year ended June 30, 2006.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 347,268	281,501	146,541	149,877	493,809	431,378	14.47%
Operating grants and contributions and restricted interest	655,176	601,523	110,724	103,424	765,900	704,947	8.65%
Capital grants and contributions and restricted interest	35,569	0	0	0	35,569	0	100.00%
General revenues:							
Local tax	1,756,945	1,657,137	0	0	1,756,945	1,657,137	6.02%
Local option sales and services tax	334,944	260,860	0	0	334,944	260,860	28.40%
Unrestricted state grants	1,903,295	1,963,282	0	0	1,903,295	1,963,282	-3.06%
Other	90,356	163,324	0	0	90,356	163,324	-44.68%
Transfers	(14,884)	0	14,384	0	(500)	0	-100.00%
Total revenues	5,108,669	4,927,627	271,649	253,301	5,380,318	5,180,928	3.85%
Program expenses:							
Governmental activities:							
Instruction	3,258,024	3,061,349	0	0	3,258,024	3,061,349	6.42%
Support services	1,575,860	1,438,681	633	0	1,576,493	1,438,681	9.58%
Non-instructional programs	0	0	245,162	245,298	245,162	245,298	-0.06%
Other expenses	278,292	336,270	0	0	278,292	336,270	-17.24%
Total expenses	5,112,176	4,836,300	245,795	245,298	5,357,971	5,081,598	5.44%
Change in net assets	(3,507)	91,327	25,854	8,003	22,347	99,330	77.50%
Beginning net assets	3,527,790	3,436,463	11,802	3,799	3,539,592	3,440,262	2.89%
Ending net assets	\$ 3,524,283	3,527,790	37,656	11,802	3,561,939	3,539,592	0.63%

In fiscal 2007, property tax and unrestricted state grants account for 71.65% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 97.40% of the revenue from business type activities.

The District's total revenues were approximately \$5.38 million of which \$5.11 million was for governmental activities and less than \$0.27 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.85% increase in revenues and a 5.44% increase in expenses.

### Governmental Activities

Revenues for governmental activities were \$5,108,669 and expenses were \$5,112,176.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 3,258,024	3,061,349	6.42%	2,438,791	2,356,225	3.50%
Support services	1,575,860	1,438,681	9.54%	1,572,936	1,436,520	9.50%
Other expenses	278,292	336,270	-17.24%	62,436	160,531	-61.11%
Totals	<u>\$ 5,112,176</u>	<u>4,836,300</u>	<u>5.70%</u>	<u>4,074,163</u>	<u>3,953,276</u>	<u>3.06%</u>

- The cost financed by users of the District's programs was \$347,268.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$690,745.
- The net cost of governmental activities was financed with \$1,756,945 in property tax, \$1,903,295 in unrestricted state grants, \$334,944 in local option sales and service tax, and \$58,540 in interest income.

### Business-Type Activities

Revenues of the District's business-type activities were \$271,649 and expenses were \$245,795. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Southern Cal Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,232,389, above last year's ending fund balances of a \$1,191,349. However, the primary reason for the increase in combined fund balances in fiscal 2007 is due to the District receiving more in local option sales tax.

### Governmental Fund Highlights

- The District's General Fund financial position changed from \$796,074 to \$595,118. Although revenues increased as compared to fiscal 2006, the increase in revenues was not enough to offset the increase in General Fund expenditures. The expenditures increased \$47,353 due to an increase in negotiated salary and benefits, as well as existing expenditure commitments of the District.
- Since the District transfers all monies received by the Capital Projects Fund into the Physical Plant and Equipment Levy Fund (PPEL), the Capital Projects Fund has a balance of \$0. Expenditures exceeded revenues in the PPEL Fund by \$150,386. Sale of assets relevant to the PPEL Fund as well as the transfer of local option sales and service tax monies to PPEL guaranteed that the fund would increase in fund balance from \$251,690 in 2006 to \$451,248 in 2007.

## Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$11,802 at June 30, 2006 to \$37,656 at June 30, 2007, representing an increase of 219.1%. This dramatic rise can be attributed in part to the Nutrition Fund receiving capital contributions from the PPEL Fund for new kitchen equipment as well as an increase in meal prices and staff reduction.

Without taking capital contributions into consideration, the Nutrition Fund still had revenues exceeding expenditures by \$11,470. While fund expenditures remained steady as compared to the previous year, fund revenues increased by nearly \$4,000.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$84,962 more than budgeted revenues, a variance of 1.61%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2007, the District had invested \$2.3 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$230,289.

The original cost of the District's capital assets was \$7,702,854. Governmental funds account for \$7,579,400 with the remainder of \$123,454 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land category. The District's investment in land totaled \$52,564 at June 30, 2006, compared to \$42,564 reported at June 30, 2007. This decrease resulted from a like-kind exchange of the District-owned "New Casey's property and the "Old Casey's property, which occurred in September 2006. In February 2007, the "Old Casey's property was sold to a private buyer for \$15,000.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 42,564	52,564	0	0	42,564	52,564	-19.02%
Buildings	1,489,402	1,511,864	0	0	1,489,402	1,511,864	-1.49%
Land improvements	254,225	275,846	0	0	254,225	275,846	-7.84%
Machinery and equipment	528,595	538,940	20,130	3,922	548,725	542,862	1.08%
Total	\$ 2,314,786	2,379,214	20,130	3,922	2,334,916	2,383,136	-2.02%

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## Long-Term Debt

At June 30, 2007, the District had \$22,892 in other long-term debt outstanding. This represents an decrease of 46.5% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding Compensated Absences payable from the General Fund of \$3,812 at June 30, 2007.

At June 30, 2007, \$19,080 has to be paid from the Special Revenue, Management Levy Fund for early retirement benefits.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2007	2006	2006-07
Compensated absences	\$ 3,812	12,027	-68.3%
Early Retirement	19,080	30,746	-37.9%
Totals	\$ 22,892	42,773	-46.5%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding between state revenues and property taxes.
- The District has started to receive local option sales and service tax; with these monies they will be able to fund new projects and take care of necessary expenditures in the future.
- Forecasts for higher utility costs and gas/diesel fuel in the fall and winter of 2008 will require constant monitoring. Fluctuations of great magnitude in utility costs and gas/diesel fuel will negatively impact the General Fund budget.
- Increases in health insurance premiums, along with salaries and benefits for the employees is always a concern for the District.
- Perceived increases in Teacher Quality Funds don not increase budget as it is flow-through money and does not supplant General Fund expenditures.

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## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Carol Collins, District Secretary, Southern Cal Community School District, 709 West Main Street, Lake City, Iowa, 51449.

## BASIC FINANCIAL STATEMENTS



SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 1,474,558	16,972	1,491,530
Receivables:			
Property tax:			
Delinquent	26,438	0	26,438
Succeeding year	1,868,692	0	1,868,692
Accounts	737	85	822
Due from other governments	161,113	0	161,113
Inventories	0	5,044	5,044
Capital assets, net of accumulated depreciation (Note 5)	2,314,786	20,130	2,334,916
<b>TOTAL ASSETS</b>	<b>5,846,324</b>	<b>42,231</b>	<b>5,888,555</b>
<b>LIABILITIES</b>			
Accounts payable	90,068	0	90,068
Salaries and benefits payable	339,922	1,707	341,629
Deferred revenue:			
Succeeding year property tax	1,868,692	0	1,868,692
Other	467	0	467
Unearned revenue	0	2,868	2,868
Long-term liabilities (Note 6):			
Portion due within one year:			
Compensated absences	3,812	0	3,812
Early retirement	10,554	0	10,554
Portion due after one year:			
Early retirement	8,526	0	8,526
<b>TOTAL LIABILITIES</b>	<b>2,322,041</b>	<b>4,575</b>	<b>2,326,616</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,314,786	20,130	2,334,916
Restricted for:			
Beginning teacher mentoring	357	0	357
Professional development	357	0	357
Market factor	4,253	0	4,253
Management levy	86,626	0	86,626
Physical plant and equipment levy	451,248	0	451,248
Other special revenue purposes	80,317	0	80,317
Unrestricted	586,339	17,526	603,865
<b>TOTAL NET ASSETS</b>	<b>\$ 3,524,283</b>	<b>37,656</b>	<b>3,561,939</b>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Charges for Expenses	Operating Grants, Contributions and Restricted Services	Capital Grants, Contributions and Restricted Interest	Interest	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Governmental activities:							
Instruction:							
Regular instruction	\$ 2,212,733	149,760	441,724	0	(1,621,249)	0	(1,621,249)
Special instruction	467,570	0	32,477	0	(435,093)	0	(435,093)
Other instruction	577,721	195,272	0	0	(382,449)	0	(382,449)
	<u>3,258,024</u>	<u>345,032</u>	<u>474,201</u>	<u>0</u>	<u>(2,438,791)</u>	<u>0</u>	<u>(2,438,791)</u>
Support services:							
Student services	128,385	0	0	0	(128,385)	0	(128,385)
Instructional staff services	183,829	0	0	0	(183,829)	0	(183,829)
Administration services	504,089	0	0	0	(504,089)	0	(504,089)
Operation and maintenance of plant services	486,187	0	0	0	(486,187)	0	(486,187)
Transportation services	273,370	2,236	688	0	(270,446)	0	(270,446)
	<u>1,575,860</u>	<u>2,236</u>	<u>688</u>	<u>0</u>	<u>(1,572,936)</u>	<u>0</u>	<u>(1,572,936)</u>
Other expenditures:							
Facilities acquisition	15,427	0	0	35,569	20,142	0	20,142
AEA flowthrough	180,287	0	180,287	0	0	0	0
Depreciation(unallocated)*	82,578	0	0	0	(82,578)	0	(82,578)
	<u>278,292</u>	<u>0</u>	<u>180,287</u>	<u>35,569</u>	<u>(62,436)</u>	<u>0</u>	<u>(62,436)</u>
Total governmental activities	5,112,176	347,268	655,176	35,569	(4,074,163)	0	(4,074,163)
Business-Type activities:							
Support services:							
Operation and maintenance of plant services	633	0	0	0	0	(633)	(633)
Non-instructional programs:							
Nutrition services	245,162	146,541	110,724	0	0	12,103	12,103
Total business-type activities	<u>245,795</u>	<u>146,541</u>	<u>110,724</u>	<u>0</u>	<u>0</u>	<u>11,470</u>	<u>11,470</u>
Total	<u>\$ 5,357,971</u>	<u>493,809</u>	<u>765,900</u>	<u>35,569</u>	<u>(4,074,163)</u>	<u>11,470</u>	<u>(4,062,693)</u>
General Revenues and Transfers:							
General Revenues:							
Property tax levied for:							
General purposes					\$ 1,756,945	0	1,756,945
Local option sales and service tax					334,944	0	334,944
Unrestricted state grants					1,903,295	0	1,903,295
Unrestricted investment earnings					58,540	0	58,540
Gain on sale of equipment					3,501	0	3,501
Gain on sale of real property					15,000	0	15,000
Other general revenues					13,315	0	13,315
Transfers					(14,884)	14,384	(500)
Total general revenues and transfers					<u>4,070,656</u>	<u>14,384</u>	<u>4,085,040</u>
Change in net assets					(3,507)	25,854	22,347
Net assets beginning of year					3,527,790	11,802	3,539,592
Net assets end of year					<u>\$ 3,524,283</u>	<u>37,656</u>	<u>3,561,939</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	General	Physical Plant and Equipment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 954,261	335,596	0	184,701	1,474,558
Receivables:					
Property tax:					
Delinquent	24,933	0	0	1,505	26,438
Succeeding year	1,768,692	0	0	100,000	1,868,692
Interfund	0	117,540	0	0	117,540
Accounts	737	0	0	0	737
Due from other governments	43,573	0	117,540	0	161,113
<b>TOTAL ASSETS</b>	<b>\$ 2,792,196</b>	<b>453,136</b>	<b>117,540</b>	<b>286,206</b>	<b>3,649,078</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Interfund payable	\$ 0	0	117,540	0	117,540
Accounts payable	87,997	1,888	0	183	90,068
Salaries and benefits payable	339,922	0	0	0	339,922
Deferred revenue:					
Succeeding year property tax	1,768,692	0	0	100,000	1,868,692
Other	467	0	0	0	467
Total liabilities	2,197,078	1,888	117,540	100,183	2,416,689
Fund balances:					
Reserved for:					
Beginning teacher mentoring	357	0	0	0	357
Professional development	357	0	0	0	357
Market factor	4,253	0	0	0	4,253
Unreserved:					
General	590,151	0	0	0	590,151
Physical plant and equipment levy	0	451,248	0	0	451,248
Management levy	0	0	0	105,706	105,706
Other special revenue purposes	0	0	0	80,317	80,317
Total fund balances	595,118	451,248	0	186,023	1,232,389
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,792,196</b>	<b>453,136</b>	<b>117,540</b>	<b>286,206</b>	<b>3,649,078</b>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2007

<b>Total fund balances of governmental funds (page 16)</b>	\$ 1,232,389
<b><i>Amounts reported for governmental activities in the statement of net assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	2,314,786
Long-term liabilities, including compensated absences and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(22,892)</u>
<b>Net assets of governmental activites (page 14)</b>	<u><u>\$ 3,524,283</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

	General	Physical Plant and Equipment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 1,656,908	0	334,944	100,037	2,091,889
Tuition	135,802	0	0	0	135,802
Other	79,719	11,181	0	205,619	296,519
State sources	2,382,174	0	0	0	2,382,174
Federal sources	173,668	25,000	0	0	198,668
Total revenues	4,428,271	36,181	334,944	305,656	5,105,052
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular instruction	2,102,061	0	0	23,069	2,125,130
Special instruction	467,570	0	0	0	467,570
Other instruction	401,074	0	0	189,854	590,928
	2,970,705	0	0	212,923	3,183,628
Support services:					
Student services	140,885	0	0	0	140,885
Instructional staff services	170,654	13,175	0	0	183,829
Administration services	507,244	2,208	0	3,195	512,647
Operation and maintenance of plant services	443,763	26,731	0	36,423	506,917
Transportation services	219,190	76,147	0	10,177	305,514
	1,481,736	118,261	0	49,795	1,649,792
Other expenditures:					
Facilities acquisition	0	68,306	0	0	68,306
AEA flowthrough	180,287	0	0	0	180,287
	180,287	68,306	0	0	248,593
Total expenditures	4,632,728	186,567	0	262,718	5,082,013
Excess(deficiency) of revenues over (under) expenditures	(204,457)	(150,386)	334,944	42,938	23,039
Other financing sources(uses):					
Transfers in	0	334,944	0	0	334,944
Transfers out	0	0	(334,944)	(500)	(335,444)
Sale of real property	0	15,000	0	0	15,000
Sale of equipment	3,501	0	0	0	3,501
Total other financing sources(uses)	3,501	349,944	(334,944)	(500)	18,001
Net change in fund balances	(200,956)	199,558	0	42,438	41,040
Fund balance beginning of year	796,074	251,690	0	143,585	1,191,349
Fund balance end of year	\$ 595,118	451,248	0	186,023	1,232,389

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2007

Net change in fund balances - total governmental funds (page 18) \$ 41,040

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Amounts for capital outlay expenditures and depreciation expense are as follows:

Capital outlay expenditures	\$ 173,390	
Depreciation expense	(227,818)	
Like kind exchange	(10,000)	(64,428)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	\$ 8,215	
Early Retirement	11,666	19,881

Changes in net assets of governmental activities (page 15) \$ (3,507)

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2007

	<u>School Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 16,972
Accounts receivable	85
Inventories	5,044
Capital assets, net of accumulated depreciation(Note 5)	20,130
TOTAL ASSETS	<u>42,231</u>
LIABILITIES	
Salary and benefits payable	1,707
Unearned revenues	2,868
TOTAL LIABILITES	<u>4,575</u>
NET ASSETS	
Invested in capital assets	20,130
Unrestricted	17,526
TOTAL NET ASSETS	<u>\$ 37,656</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 146,541
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant services	
Services	633
Non-instructional programs:	
Food service operations:	
Salaries	89,534
Benefits	24,728
Services	342
Supplies	128,087
Depreciation	2,471
Total non-instructional programs	245,162
TOTAL OPERATING EXPENSES	245,795
OPERATING LOSS	(99,254)
NON-OPERATING REVENUES:	
Intermediate sources	5,000
State sources	2,919
Federal sources	102,805
TOTAL NON-OPERATING REVENUES	110,724
Change in net assets before other financing sources	11,470
Other financing sources:	
Capital contributions	14,384
Changes in net assets	25,854
Net assets beginning of year	11,802
Net assets end of year	\$ 37,656

SEE NOTES TO FINANCIAL STATEMENTS.



SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2007

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 143,546
Cash received from miscellaneous	3,301
Cash payments to employees for services	(113,064)
Cash payments to suppliers for goods or services	(116,349)
Net cash used in operating activities	(82,566)
Cash flows from non-capital financing activities:	
Intermediate grants received	5,000
State grants received	2,919
Federal grants received	89,738
Net cash provided by non-capital financing activities	97,657
Cash flows from capital and other financing activities:	
Purchase of assets	(4,295)
Net increase in cash and cash equivalents	10,796
Cash and cash equivalents at beginning of year	6,176
Cash and cash equivalents at end of year	\$ 16,972
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (99,254)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	13,067
Depreciation	2,471
Increase in inventories	(354)
Decrease in accounts receivable	2
Increase in salaries and benefits payable	1,198
Increase in unearned revenue	304
Net cash used in operating activities	\$ (82,566)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 16,972

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received  
Federal commodities valued at \$13,067.

During the year ended June 30, 2007, the Nutrition Fund received  
capital contributions of \$14,384 from the Physical Plant and  
Equipment Levy Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2007

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Assets	
Cash and pooled investments	<u>\$          500</u>
Liabilities	
	<u>0</u>
Net assets	
Reserved for scholarships	<u><u>\$          500</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2007

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Other financing sources:	
Transfer in	<u>500</u>
Change in net assets	500
Net assets beginning of year	<u>0</u>
Net assets end of year	<u>\$ 500</u>

SEE NOTES TO FINANCIAL STATEMENTS.

# SOUTHERN CAL COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

### (1) Summary of Significant Accounting Policies

The Southern Cal Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Lake City and Lohrville, Iowa, and the predominate agricultural territory in Calhoun, Sac, Greene and Carroll Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Southern Cal Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Southern Cal Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Calhoun, Sac, Greene and Carroll Counties Assessors' Conference Board.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Special Revenue - Physical Plant and Equipment Levy(PPEL) Fund is used to account for resources used in building improvements and equipment purchases.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

#### C. Measurement Focus and Basis of Accounting

The government-wide proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB

pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for extra duties and curriculum work for the current school year, which is paid in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial



statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified portfolio	\$ 1,255,768

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables for the year ended June 30, 2007 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue, Physical Plant and Equipment Levy	Capital Projects	\$ 117,540

**(4) Interfund Transfers**

The detail of transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Special Revenue, Physical Plant and Equipment Levy	Capital Projects	\$ 334,944
Private Purpose Trust	Expendable Trust	500
Total		\$ 335,444

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 104,775	18,679	0	123,454
Less accumulated depreciation	100,853	2,471	0	103,324
Business-type activities capital assets, net	<u>\$ 3,922</u>	<u>16,208</u>	<u>0</u>	<u>20,130</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 52,564	0	10,000	42,564
Total capital assets not being depreciated	<u>52,564</u>	<u>0</u>	<u>10,000</u>	<u>42,564</u>
Capital assets being depreciated:				
Buildings	3,804,431	36,110	0	3,840,541
Land improvements	613,476	2,385	0	615,861
Machinery and equipment	2,945,539	134,895	0	3,080,434
Total capital assets being depreciated	<u>7,363,446</u>	<u>173,390</u>	<u>0</u>	<u>7,536,836</u>
Less accumulated depreciation for:				
Buildings	2,292,567	58,572	0	2,351,139
Land improvements	337,630	24,006	0	361,636
Machinery and equipment	2,406,599	145,240	0	2,551,839
Total accumulated depreciation	<u>5,036,796</u>	<u>227,818</u>	<u>0</u>	<u>5,264,614</u>
Total capital assets being depreciated, net	<u>2,326,650</u>	<u>(54,428)</u>	<u>0</u>	<u>2,272,222</u>
Governmental activities capital assets, net	<u>\$ 2,379,214</u>	<u>(54,428)</u>	<u>10,000</u>	<u>2,314,786</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 95,466
Other	3,302
Support services:	
Administration	1,373
Operation and maintenance of plant	2,536
Transportation	42,563
	<u>145,240</u>
Unallocated depreciation	<u>82,578</u>
Total governmental activities depreciation expense	<u>\$ 227,818</u>
Business-type activities:	
Food services	<u>\$ 2,471</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Compensated Absences	\$ 12,027	0	8,215	3,812	3,812
Early retirement	30,746	19,080	30,746	19,080	10,554
Total	<u>\$ 42,773</u>	<u>19,080</u>	<u>38,961</u>	<u>22,892</u>	<u>14,366</u>

Early Retirement

The District offers a voluntary early retirement plan to full-time certified employees on a year by year basis at the discretion of the District's Board of Education. For fiscal year 2007, eligible employees must have completed at least seventeen years of service with the District and be at least fifty-eight years old on or before June 30, 2007. Employees must have completed an application before February 15, 2007, which was required to be approved by the District's Board of Education. Early retirement benefits were calculated to equal half of the employees' 2006-07 salary schedule, excluding extra duty, extra-curricular, Phase II and Phase III monies, teacher compensation funds or other payments not included in the salary schedule. Early retirement benefits were not to exceed a cash payment of \$20,000 per employee. Employees may elect to continue their existing single or family coverage under the District's health insurance plan as long as the monthly premiums are paid and the insurer allows the employee coverage. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement. Early retirement expenditures for the year ended June 30, 2007 totaled \$30,746.

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006, 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$161,784, \$147,738 and \$152,520 respectively, equal to the required contributions for each year.

**(8) Risk Management**

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: life and accidental death and dismemberment. District contributions to ISEBA for the year ended June 30, 2007 were \$16,077.

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$180,287 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2007

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 2,524,210	146,541	2,670,751	2,582,835	2,582,835	87,916
Intermediate sources	0	5,000	5,000	0	0	5,000
State sources	2,382,174	2,919	2,385,093	2,384,520	2,384,520	573
Federal sources	198,668	102,805	301,473	310,000	310,000	(8,527)
Total revenues	5,105,052	257,265	5,362,317	5,277,355	5,277,355	84,962
Expenditures:						
Instruction	3,183,628	0	3,183,628	3,823,479	3,823,479	639,851
Support services	1,649,792	633	1,650,425	1,727,945	1,727,945	77,520
Non-instructional programs	0	245,162	245,162	334,150	334,150	88,988
Other expenditures	248,593	0	248,593	306,084	306,084	57,491
Total expenditures	5,082,013	245,795	5,327,808	6,191,658	6,191,658	863,850
Excess(deficiency) of revenues over(under) expenditures	23,039	11,470	34,509	(914,303)	(914,303)	948,812
Other financing sources, net	18,001	14,384	32,385	0	0	32,385
Excess(deficiency) of revenues and other financing sources over(under) expenditures	41,040	25,854	66,894	(914,303)	(914,303)	981,197
Balance beginning of year	1,191,349	11,802	1,203,151	1,085,140	1,085,140	118,011
Balance end of year	\$ 1,232,389	37,656	1,270,045	170,837	170,837	1,099,208

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.



OTHER SUPPLEMENTARY INFORMATION

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2007

	Manage- ment Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 104,384	80,317	184,701
Receivables:			
Property tax:			
Current year delinquent	1,505	0	1,505
Succeeding year	100,000	0	100,000
TOTAL ASSETS	\$ 205,889	80,317	286,206
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 183	0	183
Deferred revenue:			
Succeeding year property tax	100,000	0	100,000
Total liabilities	100,183	0	100,183
Unreserved fund balances	105,706	80,317	186,023
TOTAL LIABILITIES AND FUND BALANCES	\$ 205,889	80,317	286,206

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2007

	Manage- ment Levy	Student Activity	Expend- able Trust	Total
REVENUES:				
Local sources:				
Local tax	\$ 100,037	0	0	100,037
Other	6,202	199,417	0	205,619
TOTAL REVENUES	106,239	199,417	0	305,656
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	23,069	0	0	23,069
Other instruction	0	189,854	0	189,854
Support services:				
Administration services	3,195	0	0	3,195
Operation and maintenance of plant services	36,423	0	0	36,423
Student transportation	10,177	0	0	10,177
TOTAL EXPENDITURES	72,864	189,854	0	262,718
Excess of revenues over expenditures	33,375	9,563	0	42,938
Other financing uses:				
Transfers out	0	0	(500)	(500)
Net change in fund balance	33,375	9,563	(500)	42,438
Fund balance beginning of year	72,331	70,754	500	143,585
Fund balance end of year	\$ 105,706	80,317	0	186,023

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<b>Activities:</b>				
Academic Competitions	\$ 829	371	352	848
Activity Tickets	0	5,499	5,499	0
Athletic Awards	0	2,320	2,320	0
Baseball	0	458	173	285
Softball	0	3,949	3,949	0
Basketball	3,256	6,802	7,373	2,685
Cross Country	1,517	1,812	1,325	2,004
Speech	0	4,066	3,242	824
Football	3,963	15,656	14,521	5,098
Golf	808	1,065	610	1,263
Music	0	6,958	6,920	38
Music Awards	0	231	231	0
Football Camp	735	14,054	10,223	4,566
Girls Basketball Camp	994	1,030	1,849	175
Boys Basketball Camp	2,276	5,115	5,657	1,734
Track Resurfacing	16,583	6,153	20	22,716
Track	739	9,541	7,839	2,441
Volleyball	275	10,460	9,674	1,061
Wrestling	0	4,484	3,704	780
State Athletic Competitions	2,127	2,208	635	3,700
Drama	0	860	543	317
	34,102	103,092	86,659	50,535
<b>Classes:</b>				
Elementary	774	377	596	555
Class of 2007	3,417	1,680	5,097	0
Class of 2008	1,059	12,234	10,083	3,210
Class of 2009	2,864	2,375	997	4,242
Class of 2010	0	621	23	598
	8,114	17,287	16,796	8,605
<b>Clubs/Organizations:</b>				
Assoc. Foreign Students	129	0	0	129
FB & BB Cheerleaders	171	4,597	4,685	83
Wrestling Cheerleaders	681	0	681	0
Dance Team	2,016	5,729	6,737	1,008
National Honor Society	649	374	738	285
Student Council	1,286	863	880	1,269
Leadership Activities	286	96	134	248
	5,218	11,659	13,855	3,022

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Miscellaneous Accounts:				
Interest	0	4,145	4,145	0
General Athletics	1,718	3,810	0	5,528
Field Trips	0	698	698	0
7-12 Projects	2,758	663	602	2,819
Public Relations	0	836	836	0
	<u>4,476</u>	<u>10,152</u>	<u>6,281</u>	<u>8,347</u>
School Projects:				
Annual	75	6,702	4,727	2,050
4-6 Yearbook	355	25	0	380
7-8 Yearbook	98	255	285	68
Curtain Fund	3,001	0	0	3,001
HS Pop Machines	0	9,709	9,709	0
Elementary Vending	250	169	120	299
Elementary Student Council	59	0	0	59
Tech Trends	0	965	965	0
Booster Club	0	79	79	0
	<u>3,838</u>	<u>17,904</u>	<u>15,885</u>	<u>5,857</u>
Student Resale Items:				
Band Resale	0	950	950	0
Home Ec Resale	0	1,062	1,062	0
	<u>0</u>	<u>2,012</u>	<u>2,012</u>	<u>0</u>
Vocational Organizations:				
FFA	14,105	35,911	47,871	2,145
HOSA	901	0	495	406
	<u>15,006</u>	<u>35,911</u>	<u>48,366</u>	<u>2,551</u>
Other Accounts:				
Football Sign Fundraiser	0	1,400	0	1,400
Total	<u>\$ 70,754</u>	<u>199,417</u>	<u>189,854</u>	<u>80,317</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 2,091,889	1,917,997	1,866,376	2,116,535
Tuition	135,802	98,028	131,576	93,216
Other	296,519	270,932	225,587	219,367
Intermediate sources	0	0	0	11,510
State sources	2,382,174	2,397,510	2,359,933	2,083,026
Federal sources	198,668	166,716	186,292	170,190
Total	<u>\$ 5,105,052</u>	<u>4,851,183</u>	<u>4,769,764</u>	<u>4,693,844</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,125,130	2,109,405	1,995,247	1,951,514
Special instruction	467,570	522,280	507,746	531,786
Other instruction	590,928	529,754	540,921	434,826
Support services:				
Student services	140,885	187,915	214,235	225,416
Instructional staff services	183,829	247,289	180,399	143,133
Administration services	512,647	438,969	436,747	433,748
Operation and maintenance of plant services	506,917	507,032	540,056	544,005
Transportation services	305,514	220,760	259,764	169,776
Non-instructional programs	0	0	5,315	5,541
Other expenditures:				
Facilities acquisitions	68,306	80,870	0	0
AEA flow-through	180,287	175,739	175,873	178,412
Total	<u>\$ 5,082,013</u>	<u>5,020,013</u>	<u>4,856,303</u>	<u>4,618,157</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

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### Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the  
Southern Cal Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Southern Cal Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 18, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southern Cal Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Southern Cal Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Southern Cal Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Southern Cal Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Southern Cal Community School District's financial statements that is more than inconsequential will not be prevented or detected by Southern Cal Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Southern Cal Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southern Cal Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Southern Cal Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Southern Cal Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Southern Cal Community School District and other parties to whom Southern Cal Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Southern Cal Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 18, 2008



SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that cash and checks received at the building are prepared for deposit by the District's Business Manager and deposited at the bank by the Superintendent's secretary. All other monies are electronically deposited into the District's accounts. Both the Business Manager and the Activity/Nutrition secretary prepare cash receipts journals for their respective funds. The Superintendent's secretary counts and receipts money received within the District which is accompanied by a cash record sheet completed by coaches, sponsors for Activity Fund accounts and nutrition personnel.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as deemed necessary.

Conclusion - Response accepted.

I-B-07 Scholarship Awards - We noted that when scholarships were awarded to the student, the check was being written directly to the student.

Recommendation - The District should write scholarship checks to the trade school/university the student is attending once that student has supplied adequate documentation to the District that the student is attending a trade school/university.

Response - In the future, scholarship checks written will be written to the student and the trade school/university the student is attending once adequate attendance documentation has been supplied to the District.

Conclusion - Response accepted.

I-C-07 Fixed Assets - A record of fixed asset acquisitions and disbursements are kept, however these changes are not kept up to date. We noted that some assets were not fully depreciated that should be according to the purchase date of the asset and the District's fixed asset policy.

Recommendation - Fixed asset updates should be made on a continuous basis to allow the school officials and outsiders an accurate account of the amount of fixed assets at any point in time. This is necessary for both an accurate account of assets and to ensure a proper amount of insurance is carried to cover the assets in case of loss from fire, vandalism, or theft. The District should have a complete list of additions, deletions, and current assets.

Response - With the sale of property and building in fiscal year 2008, the fixed asset listing was updated by office personnel. The database was only down and out of operation for about two weeks.

Conclusion - Response acknowledged. After examination of the fixed asset listing we were supplied with at the time of fieldwork, some assets that were purchased in 1995 only had one year of depreciation taken when the asset should actually be fully depreciated.

I-D-07 Student Activity Fund - During our audit concerns arose about certain expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity Fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in Department of Education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as part of the education program for the students established under Iowa Administrative Code 281-12.6(1).

More specifically, the Student Activity Fund includes an Elementary account. Lifetouch Picture commissions are receipted into this account. Commissions should be recorded in the General Fund.

Donations made to a District should be placed in the most appropriate place based upon the donor request. Target donations do not specify the purpose, other than instructional supplies; therefore, Target donations should be receipted into the General Fund for use in all instructional supplies/services.

There is a track resurfacing account in the Student Activity Fund. Donations and other revenues for this purpose are receipted and subsequently spent from this account. Expenditures for track resurfacing would be better handled through the PPEL Fund. Remaining funds in this account should be transferred to the PPEL Fund.

Response - The prior practice of depositing textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies into the Student Activity Fund has ceased. Instead of writing one check monthly to the General Fund for these items, the money is deposited into the General Fund.

Target donations and Lifetouch picture commissions are now being receipted and deposited into the General Fund.

The money that was in the track resurfacing account was transferred from the Student Activity Fund to the Physical Plant and Equipment Levy Fund (PPEL). The money was subsequently expended from the PPEL Fund in the fall of 2007 for track resurfacing.

Conclusion - Response accepted.

SOUTHERN CAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

II-A-07 Certified Budget - District disbursements for the year ended June 30, 2007, did not exceed the amounts budgeted.

II-B-07 Questionable Disbursements - We noted disbursements paid from the Student Activity Fund for Chamber Bucks that were subsequently given to students as incentive prizes for FFA fruit and meat sales. Expenditures for Chamber Bucks may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review procedures to ensure that all expenditures meet the requirements of the Attorney General's opinion of April, 25, 1979.

Response - Records are kept regarding individual sales during fruit and meat sales. Students achieving certain levels of sales are rewarded with Chamber Bucks which are used within the community. It is the belief of the instructor and District that the incentives increase overall sales, which in turn creates a greater amount of funding for the program for which sales are organized. Without rewards, sales would be less. Also, it is conceived that 75% or more of the sales occur within the community and using Chamber Bucks keeps the money local. Record keeping is timely and accurate for sales of individual students. Past practice of giving cash was changed to current practice involving Chamber Bucks. The District supports the continuance of this practice. We are currently working on an amendment to the District's public purpose policy that will document the public purpose of incentives given to students.

Conclusion - Response acknowledged. Chamber Bucks are considered the same as giving cash to students. The Board of Directors should document the public purpose served by paying incentives to students and place a cap amount on the amount awarded as incentives.

II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-07 Business Transactions - No business transactions between the District and District officials were noted.

II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-07 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students reported on Line 1 was understated by 0.1 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District has self-reported discrepancies in certified enrollment in the past year due to overstating the number of home school assistance program students and is awaiting final determination from the Department of Education.

Conclusion - Response acknowledged. We will disclose to the Department of Education and the Department of Management so the change will be made in the fiscal 2009 year.

II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-J-07 Physical Plant and Equipment Levy (PPEL) Expenditures - According to Chapter 298.3 of the Code of Iowa, PPEL monies may be used for a purchase of a single unit of equipment exceeding \$500 per unit. We noted during our audit that the District purchased four logo mats for \$1,085 and two marking boards for \$780 from the PPEL Fund. These expenditures, which are less than \$500 per single unit, are inappropriate from the PPEL Fund.

Recommendation - The District should review the Code of Iowa with regard to allowable expenditures from the PPEL Fund to avoid non compliance. The District should make a corrective transfer to the PPEL Fund from the General Fund for \$1,865.

Response - The corrective transfer from the General Fund to the PPEL Fund has already been made. We will review procedures to ensure future purchases from the PPEL Fund are greater than \$500 per single unit of equipment.

Conclusion - Response accepted.